

FBR mulls mandatory POS integration for all retailers

KARACHI: Government is weighing a fixed tax regime to encourage retailers to link their trade transactions with the tax authority's online system, sources said on Wednesday, hinting at an expansion in scope of point of sales (POS) integration beyond big traders in the next fiscal year.

The sources said the mandatory requirement for integration of POS for all type of retailers with an optional fixed tax regime is under consideration.

The sources said various tax offices submitted the proposed amendment related to retailers.

"POS integration may be made mandatory for all retailers," a proposal said. "However, they should be given option to pay fixed tax at five percent of turnover (without input adjustment) or in VAT (value-added tax) mode at standard rates."

The sources said tax managers submitted their suggestions for upcoming budget and they recommended POS mandatory for all retailers from July 1. The tax managers said it would remove market distortion due to integration issues and would also provide a level-playing field to all the stakeholders.

Under the Sales Tax Act, 1990, all retailers falling under category of tier-1 are required to integrate their outlets with the FBR's online system for monitoring of sales and purchases.

The tier-1 retailers include those operating as units of a national or international chain of stores, in an air-conditioned shopping mall, plaza or centre, excluding kiosks, whose cumulative electricity bill during the immediately preceding 12 consecutive months exceed Rs1.2 million or those engaged in bulk import and supply of consumer goods on wholesale basis to retailers and consumers. Besides, a retailer is also categorised as tier-1 if his shop measures 1,000 feet in area or more.

The concept of POS integration was introduced in order to conduct online monitoring of sales by the retailers and to check sales tax evasion. So far the FBR managed to bring a number of big retailers under this integration drive. However, many retailers falling under the definition are still reluctant to connect their outlets with the FBR.

Major local and international brands have integrated their outlets with the FBR in order to avoid punitive action from the tax authorities after the deadline.

The first deadline for POS integration with FBR's online system was December 15, 2019. However, in 2020, it was extended to March 30, then to April 30 and to June 30 to facilitate retailers amid the lockdown.

The sources said if the proposal is incorporated through Finance Act, 2020 then all retailers would be given new deadline to make compliance.